

NORTHFIELD TOWNSHIP AREA LIBRARY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008

NORTHFIELD TOWNSHIP AREA LIBRARY

LIBRARY DIRECTOR

Ronald Loyd

LIBRARY BOARD

Lisa Lembke
Meg Minnich
Sandy Purrington
Jack Hinkley
Karen Neigebauer
Carol Smith

LIBRARY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

December 1, 2008

Library Board
Northfield Township Area Library
125 Barker Road
Whitmore Lake, Michigan 48189

INDEPENDENT AUDITORS' REPORT

Honorable Library Board:

We have audited the accompanying financial statements of the Northfield Township Area Library as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Library Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northfield Township Area Library, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other Required Supplementary Information on pages 6 through 8 and page 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northfield Township Area Library's basic financial statements. The supplementary information presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis June 30, 2008

Within this section of the Northfield Township Area Library's annual financial report, the Library's management is providing a narrative discussion and analysis of the financial activities of the Library for the fiscal year ended June 30, 2008. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Library's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Library's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Library also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The Library's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Library's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the government-wide statement of position presenting information that includes all the Library's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library as a whole is improving or deteriorating. Evaluation of the overall health of the Library may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Library's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Library's distinct activities or functions on the revenues generated by the Library.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Library uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Library reports only one fund, which is the General Fund. Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Financial Analysis of the Library as a Whole

The Library's net assets at the end of the fiscal year were \$1,388,195. This is a \$166,694 increase over last year's net assets of \$1,221,501. This is consistent with the results of the Library's financial statements over the last several years.

The following tables provide a summary of the Library's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities	
	June 30, 2008	June 30, 2007
Current and other assets	\$ 1,156,326	\$ 1,017,755
Capital assets	329,165	306,663
Total assets	1,485,491	1,324,418
Accounts payable	36,225	38,632
Notes/land contract payables	61,071	64,285
Total liabilities	97,296	102,917
Net assets:		
Invested in capital assets, net of related debt	268,094	242,378
Unrestricted	1,120,101	979,123
Total net assets	\$ 1,388,195	\$ 1,221,501

Summary of Changes in Net Assets

	Governmental Activities	
	June 30, 2008	June 30, 2007
Revenues:		
Program revenues		
Operating grants and contributions	\$ 2,635	\$ 1,799
General revenues		
Property taxes	459,370	437,270
Other income	183,082	141,035
Total revenues	645,087	580,104
Total expenses	478,393	448,463
Changes in net assets	166,694	131,641
Beginning net assets	1,221,501	1,089,860
Ending net assets	\$ 1,388,195	\$ 1,221,501

Financial Analysis of the Library's Funds

On the modified accrual basis the General Fund's fund balance increased by \$143,622 for the year ended June 30, 2008. This is somewhat higher than the increase in the prior year of \$104,325, due primarily to increased penal fines received. The Library's main source of revenue is primarily property taxes, and its main expenditures are generally for basic operations.

General Fund Budgetary Highlights

The Library adopted its budget prior to the beginning of the fiscal year ended June 30, 2008. During the year the budget was amended to reflect changes in estimated revenues and expenditures during the fiscal year.

The amendments made during the year were generally minor, and were intended to bring the budget closer to economic reality. The Library's total expenditures were slightly over budget primarily due to unbudgeted capital expenditures made on the building. A small number of functional activities also finished over budget. However, the fund balance increase at year end was higher than that budgeted due to higher than expected revenue received during the year.

Capital Asset and Debt Administration

The Library made \$39,985 of capital acquisitions to install new windows, remodel the bathroom, and paint the building. Depreciation expense allocated to governmental activities totaled \$17,483.

At the end of the Fiscal year, the Library owed the Township \$61,071 on a loan it had received several years earlier. Each year, the Library pays \$3,214 to retire the debt. This year, as in prior years, the Library made its annual payment leaving, 19 years of payments remaining. The annual payment is principal only; the Library pays no interest on this loan.

Economic Conditions and Future Activities

Despite the volatile nature of the economy in the area, the Library anticipates that its revenues will remain relatively steady in the near term.

Contracting the Authority's Financial Management

This report is designed to provide a general overview of the Library's financial position and to comply with finance-related regulations. If you have any further questions about this report or require additional information, please contact the Northfield Area Library, 125 Barker Road, Whitmore Lake, Michigan 48189.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT - WIDE
FINANCIAL STATEMENTS

NORTHFIELD TOWNSHIP AREA LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,133,776
Accounts receivable	315
Taxes receivable	5,195
Prepaid expenses	10,904
Due from Township	<u>6,136</u>

Total current assets \$ 1,156,326

CAPITAL ASSETS

Land	35,200
Building and improvements	460,684
Equipment	<u>23,482</u>
	519,366
Less accumulated depreciation	<u>(190,201)</u>

Total capital assets - net of depreciation 329,165

Total assets 1,485,491

LIABILITIES

LIABILITIES

Accounts payable	1,381
Accrued wages	7,967
Accrued compensated absences	26,877
Contract payable	
Current portion	3,214
Non-current portion	<u>57,857</u>

Total liabilities 97,296

NET ASSETS

NET ASSETS

Investment in capital assets, net of related debt	268,094
Unrestricted	<u>1,120,101</u>

Total net assets \$ 1,388,195

See accompanying notes to the basic financial statements

NORTHFIELD TOWNSHIP AREA LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
	<u>Expenses</u>	<u>Operating Contributions</u>	<u>Revenue and Changes in Net Assets</u>
Governmental Activities			<u>Governmental Activities</u>
Library	<u>\$ (478,393)</u>	<u>\$ 2,635</u>	<u>\$ (475,758)</u>
General revenues			
Taxes, levied for general purpose			459,370
Penal fines			127,756
State aid			7,197
Interest income			46,201
Other income			<u>1,928</u>
Total general revenues			<u>642,452</u>
Change in net assets			166,694
Net assets at beginning of year			<u>1,221,501</u>
Net assets at end of year			<u><u>\$ 1,388,195</u></u>

See accompanying notes to the basic financial statements.

FUND
FINANCIAL
STATEMENTS

NORTHFIELD TOWNSHIP AREA LIBRARY
BALANCE SHEET
JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash	\$ 1,133,776	
Taxes receivable	5,195	
Accounts receivable - other	315	
Prepaid expenses	10,904	
Due from Township	<u>6,136</u>	
Total current assets		<u>\$ 1,156,326</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 1,381	
Accrued wages	<u>7,967</u>	
Total liabilities		\$ 9,348

FUND BALANCE

Reserved for prepaid items	10,904	
Unreserved	<u>1,136,074</u>	
Total fund balance		<u>1,146,978</u>
Total liabilities and fund balance		<u>\$ 1,156,326</u>

See accompanying notes to the basic financial statements.

NORTHFIELD TOWNSHIP AREA LIBRARY
RECONCILIATION OF STATEMENT OF NET ASSETS OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
JUNE 30, 2008

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 1,146,978
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost	\$ 519,366	
Depreciation	<u>(190,201)</u>	
Net book value		329,165
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Contracts payable	(61,071)	
Accrued compensated absences	<u>(26,877)</u>	
Total		<u>(87,948)</u>
Net assets of governmental activities		<u><u>\$ 1,388,195</u></u>

See accompanying notes to the basic financial statements.

NORTHFIELD TOWNSHIP AREA LIBRARY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR JUNE 30, 2008

REVENUES	
Property taxes	\$ 459,370
Penal fines	127,756
State library aid	7,197
Interest income	46,201
Miscellaneous revenue	1,928
Donations	<u>2,635</u>
Total revenues	<u>645,087</u>
EXPENDITURES	
Current:	
Library operations	448,661
Capital outlay:	
Library	49,590
Debt service:	
Principal	<u>3,214</u>
Total expenditures	<u>501,465</u>
Net change in fund balance	143,622
FUND BALANCE, JULY 1, 2007	<u>1,003,356</u>
FUND BALANCE, JUNE 30, 2008	<u><u>\$ 1,146,978</u></u>

See accompanying notes to the basic financial statements.

NORTHFIELD TOWNSHIP AREA LIBRARY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds		\$ 143,622
Accrued absences for vacation and sick time for the employees is recorded on the Statement of Net Assets.		
Accrued balance at June 30, 2008	\$ (26,877)	
Accrued balance at July 1, 2007	<u>24,233</u>	
Total		(2,644)
Governmental funds report capital outlay as expenditures. In the Statement of Activities the cost of those assets are allocated over their useful lives as depreciation expense. The amount by which capital outlay exceeded depreciation is as follows:		
Depreciation	(17,483)	
Capital outlay	<u>39,985</u>	
Total		22,502
Repayment of contracts payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Repayment of contracts payable		<u>3,214</u>
Change in net assets of governmental activities		<u><u>\$ 166,694</u></u>

See accompanying notes to the basic financial statements

NOTES
TO
FINANCIAL
STATEMENTS

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Governmental Fund

General Fund - The library accounts for the proceeds of specific revenue sources (special tax millage) through a general fund. It also accounts for the general operations of the library through the general fund.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 39 "The Financial Reporting Entity", these financial statements present all activities of the Library. There are no component units of the Library using the criteria established by the GASB for determining the reporting entity.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of net Assets and Statement of Activities) report on the Library as a whole. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Library as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Net Assets reports all financial and capital resources of the Library. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Library are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, included as part of the basic financial statements are fund financial statements for governmental funds even though the latter are excluded from the government-wide financial statements.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

1. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

2. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
3. Disbursement for the purchase of capital assets providing future benefits are considered expenditures. Any bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Library's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

E. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America is formally adopted for the General Fund. The budget can be amended by approval from the Library's Board. If necessary, budget amendments can be presented to the Board at the regular meetings. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end. Actual expenditures did not exceed budgeted expenditures for the year ending June 30, 2008.

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

G. PROPERTY TAXES

Property tax revenues are recognized in the fiscal year for which the taxes are levied. These taxes are due on February 14, with the final collection date of February 28. The delinquent real property taxes of the Northfield Township Area Library are purchased by Washtenaw County. The county sold tax notes, the proceeds of which were used to pay the library for these property taxes. The 2007 adjusted taxable value of the Library totaled \$358,112,857. The Library levied 1.2739 mills in 2007 for general operating purposes.

H. RISK MANAGEMENT

The Library is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage.

I. ACCRUED COMPENSATED ABSENCES

The Library has recorded a liability for compensated absences of its full-time employees in the government-wide financial statements only. The policies regarding compensated absences are outlined in the Library's "Rules of Employment".

Accrued compensated absences, July 1, 2007	\$ 24,233
Net increase	<u>2,644</u>
Accrued compensated absences, June 30, 2008	<u><u>\$ 26,877</u></u>

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance 7/1/07	Additions	Deletions	Balance 6/30/08
Library - Land and building	\$ 455,899	\$ 39,985	\$	\$ 495,884
Equipment	23,482			23,482
	<u>479,381</u>	<u>39,985</u>		<u>519,366</u>
Total capital assets	479,381	39,985		519,366
Accumulated depreciation	<u>(172,718)</u>	<u>(17,483)</u>		<u>(190,201)</u>
	<u>306,663</u>	<u>22,502</u>		<u>329,165</u>
Governmental activities capital assets, net	<u>\$ 306,663</u>	<u>\$ 22,502</u>	<u>\$</u>	<u>\$ 329,165</u>

Depreciation expense is being recorded solely for library services. The Library utilizes the straight line method to depreciate capital assets over their estimated useful lives.

Net book value at June 30, 2008	\$ 329,165
Contract payable - building	<u>(61,071)</u>
Investment in capital assets, net of related debt	<u>\$ 268,094</u>

NOTE 3 - LEASE AGREEMENTS - (CONTRACT PAYABLE)

Northfield Township - Land Contract - Northfield Township has agreed to not charge the library interest for the outstanding loan of \$61,071. The agreed upon payment schedule is as follows:

February 22, 2009	\$ 3,214
February 22, 2010 and for 17 years thereafter (\$3,214 annual payment)	<u>57,857</u>
Total payments	<u>\$ 61,071</u>

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4 - PENSION PLAN - DEFINED CONTRIBUTION PLAN

The Library participates with Northfield Township's defined contribution plan. No separate information could be identified related to library personnel participating in the plan. The defined contribution plan of Northfield Township is a fully insured plan funded by both employer (2/3) and employee (1/3) contributions. An employee may make voluntary contributions of up to 10% of his/her annual compensation. All participants are vested 100% immediately.

A participant includes all full-time employees as of the beginning of the anniversary date or June 1st of each year. The annual contributions are based on the following formula:

Employer contributes 10% of wages
Employee contributes 5% of wages

Annual contribution
to pension plan 15% of wages

The plan name is "Group Pension Plan" #GN 53402 through John Hancock Financial. A summary of the plan's activity for the period July 1, 2007 to June 30, 2008, is as follows:

Balance in guaranteed account July 1, 2007		\$ 2,367,836
Current year contributions		
Township portion	\$ 93,582	
Employee portion	<u>55,990</u>	
Total contributions		149,572
Distributions/fees		(11,487)
Investment losses plus asset charges		<u>(259,642)</u>
Balance in guaranteed account June 30, 2008		<u><u>\$ 2,246,279</u></u>

Interest has been credited to June 30, 2008.

A contribution of \$15,919 was made by the Library in the fiscal year ended June 30, 2008.

Total Library payroll was \$210,870, for the fiscal year ended June 30, 2008.

NORTHFIELD TOWNSHIP AREA LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Library deposits are in accordance with statutory authority. The Library maintains an imprest petty cash balance of \$500.

The Governmental Accounting Standards Board Statement No. 40 risk disclosures for the Library's deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 200,000	\$ 200,000
Uninsured and uncollateralized	933,276	936,838
	<u>\$ 1,133,276</u>	<u>\$ 1,136,838</u>

The Library's cash and investments are subject to various types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's money may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$936,838 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk

The Library places no limit on the amount the Library may invest in any one issuer.

REQUIRED
SUPPLEMENTARY
INFORMATION

NORTHFIELD TOWNSHIP AREA LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGETS			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Taxes	\$	\$	\$ 459,370	\$
Penal fines			127,756	
Interest			46,201	
Other income			1,928	
State library aid			7,197	
Contributions			2,635	
Total revenues	598,055	598,155	645,087	46,932
EXPENDITURES	533,316	583,316	501,465	81,851
Net change in fund balance	64,739	14,839	143,622	128,783
FUND BALANCE, JULY 1, 2007	1,003,356	1,003,356	1,003,356	
FUND BALANCE, JUNE 30, 2008	\$ 1,068,095	\$ 1,018,195	\$ 1,146,978	\$ 128,783

SUPPLEMENTARY
INFORMATION

NORTHFIELD TOWNSHIP AREA LIBRARY
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
Salaries	\$	\$ 210,828	\$
Payroll taxes		16,132	
Pension		15,919	
Health/life insurance		58,363	
Books		40,341	
Capital outlay - furniture and equipment		409	
Capital outlay - automation		3,211	
Capital outlay - improvements		45,970	
Insurance and bonds - general liability		8,586	
Loan - principal		3,214	
Membership and dues		415	
Miscellaneous		1,019	
Office equipment rental		2,045	
Office supplies		24,973	
Operating services		10,026	
Postage		4,947	
Printing and publications		2,498	
Downtown Development Authority		4,492	
Professional services		4,191	
Repairs and maintenance		22,102	
State aid		7,200	
Tax tribunal chargebacks		914	
Telephone		5,708	
Training		2,809	
Utilities		5,153	
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>\$ 583,316</u>	<u>\$ 501,465</u>	<u>\$ 81,851</u>

December 1, 2008

Board of Trustees
Northfield Library Area Library
125 Barker Road
Whitmore Lake, Michigan 48189

Dear Honorable Board of Trustees:

During our audit of the Northfield Library Area Library we came across the following matter that we would like to discuss with you as part of our audit presentation for the year ending June 30, 2008.

The matter which we would like to discuss with you is as follows:

Auditing standards require us to communicate us to you any significant deficiencies in your internal controls and accounting procedures.

There are certain issues (deficiencies) which were previously considered general comments but under the new standard are now considered significant deficiencies.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's or detected by the entity's internal control.

We consider the following to be a material weakness of the Library.

- Historically, the Library has relied on independent external auditors in the preparation of their financial statements and required disclosures. The Library has determined that the cost/benefit of preparing the financial statements and disclosures are best served by continuing this practice.
- As in most small organization the Library has a lack of segregation of duties in its accounting internal control system. The Library needs to continue to evaluate the cost/benefit of separating these duties.

The following is another comment relating to the Library's accounting and record keeping procedures:

- During our inquiries of the Library, it came to our attention that the Library is contemplating adopting a post-retirement health plan. If they choose to do so, the Library will have comply with the accounting regulations provided the GASB 43 & 45. We would happy to assist you with complying with the requirements if the Library chooses to provide this benefit.

Conclusion

Thank you for your assistance and hospitality toward our firm while conducting the audit of the Northfield Township Area Library.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Board of Trustees and management of the Northfield Township Area Library and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants